

Message Text

SECRET

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51

ACTION AF-04

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 SSO-00 EUR-08 EB-03

ACDA-10 OMB-01 MC-01 SP-02 L-01 INR-05 INRE-00 CIAE-00

PM-03 DODE-00 IGA-01 PRS-01 /060 W

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O 231730Z JUN 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC NIACTIMMEDIATE 3243

S E C R E T KINSHASA 5617

LIMDIS

FROM VANCE

E.O. 11652: GDS

TAGS: EFIN, EMIN, CG, US

SUBJECT: VANCE MISSION: ZAIRE FINANCIAL SITUATION

1. DURING MORNING MEETING MOBUTU TURNED TO HIS ECONOMIC/
FINANCIAL DIFFICULTIES. REMARKED THAT HIS AMERICAN
FRIENDS, WHO HAD ALWAYS AT LEAST EXAMINED THE POSSIBILITY
OF BEING HELPFUL IN THE PAST, NOW APPEARED ONLY TO
COMPLAIN ABOUT SLOW PAYMENT. THIS, HE SAID, IS IN
DISTINCT CONTRAST TO THE POSITION OF THE FRENCH. HE
THEN SHOWED ME IN STRICTEST CONFIDENCE A THREE-PAGE
LETTER HE HAD JUST RECEIVED VIA THE FRENCH AMBASSADOR
FROM PRESIDENT GISCARD D'ESTAING. HE FLASHED IT AT ME
VERY QUICKLY BUT I GATHER THAT, APART FROM THE PAYMENTS
DUE FOR THE MIRAGES, THE FRENCH ARE ACCORDING A ONE-YEAR
DELAY IN PAYMENTS OF 90 MILLION FRANCS DUE THE BANK OF
FRANCE AND ARE PREPARED TO GIVE HIM A GOVERNMENT LOAN
TO MEET CURRENT OUTSTANDINGS DUE FRENCH COMPANIES. THE
PAYMENTS DUE ON THE MIRAGES THE FRENCH INSIST UPON
RECEIVING ON TIME.

2. I SAID I WOULD APPRECIATE BEING BRIEFED ON ZAIRE'S

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CURRENT ECONOMIC PROBLEMS SO THAT WE COULD SEE WHAT, IF

ANYTHING, WE MIGHT BE ABLE TO DO OR SUGGEST THAT WOULD BE HELPFUL. HE THEN SUMMONDED DIRECTOR OF THE PRESIDENT'S OFFICE, BISENGIMANA, WHO JOINED US BRIEFLY TO ARRANGE A MEETING LATER IN THE DAY.

3. AT MEETING WITH BISENGIMANA, I BEGAN BY ASKING HOW THE US INVESTMENTS HE AND I HAD WORKED ON TOGETHER WERE FARING. HE SAID ALL WERE GOING WELL, SPECIFICALLY MENTIONING GULF. (PRESIDENT TOO HAD REMARKED THAT NOT ONE US INVESTMENT HAD BEEN TOUCHED BY HIS RECENT MEASURES). BISENGIMANA ALSO SAID GULF REPS HAD PRECEDED ME INTO HIS OFFICE ON A DISPUTE THEY WERE HAVING WITH THE ZAIRIAN NAVY OVER PROPERTY GULF REQUIRES FOR ITS ONSHORE FACILITIES. BISENGIMANA SAID HE WAS SURE HE COULD WORK IT OUT AND INDEED THAT GULF'S NEEDS SEEMED GENUINE (IT IS INTERESTING, HOWEVER, TO NOTE THAT MOBUTU HAD REFERRED TO THE GULF REQUEST IN PASSING, USING IT AS AN EXAMPLE OF HOW US COMPANIES--"WHICH HAD BEEN GIVEN ALL FACILITIES" WERE NOW HARANGUING HIM WITH REQUESTS FOR MORE AND INDEED THREATENING TO WITHDRAW).

4. I THEN ASKED BISENGIMANA TO DESCRIBE THE NATURE OF THE ZAIRIAN ECONOMIC/FINANCIAL PROBLEM, AND HE BEGAN BY LABELING IT A "CASH-FLOW CRISIS OF SHORT TERM." HE WENT ON TO INSIST STRONGLY, HOWEVER, THAT ZAIRE WAS "NOT A SAHELIAN COUNTRY. WE ARE NOT BANKRUPT." INSTEAD, HE STATED, ZAIRE IS SQUEEZED BETWEEN LOWEST COPPER PRICES IN RECENT HISTORY AND CONTINUING INFLATION OF IMPORTED PRODUCTS, ESPECIALLY PETROLEUM, WHICH HAS QUADRUPLD IN PRICE.

5. ON THE POSITIVE SIDE, BISENGIMANA SAID, WERE FACTS THAT FOR FIRST TIME THE PRESIDENT HAD FOUND AN ABLE MINISTER OF FINANCE WHO CAN FORECAST DEFICITS ACCURATELY AND CONTROL SPENDING. INDEED, BISENGIMANA MAINTAINED THAT IBRD TEAM RECENTLY THROUGH HERE HAD BEEN AMAZED THAT FIRST HALF YEAR DEFICIT RAN MUCH LOWER THAN THEY HAD PREDICTED. HE ALSO MENTIONED LETTER FROM THE FRENCH (PARA 1 ABOVE) AND THEIR HELPFUL ATTITUDE.

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6. AS FOR HOW USG COULD BE HELPFUL, BISENGIMANA SAID THERE WERE MANY WAYS, BUT WHAT ZAIRE NEEDS MOST IS MONEY TO COVER ITS CURRENT FOREIGN EXCHANGE SHORTAGES. THE PROBLEM IS SHORT TERM CASH FLOW, HE REPEATED, AND A COMMODITY LOAN FOR EXAMPLE, COULD TO THE TRICK. I ASKED HIM WHY GOZ DID NOT TURN TO THE IMF AND IT WAS OBVIOUS I HAD STRUCK A SORE POINT. ASKING FOR AN IMF STANDBY, HE SAID, WOULD BE TANTAMOUNT TO ADMITTING

PUBLICLY THAT THEY ARE BANKRUPT. "WE WILL NOT ACCEPT TUTELAGE. WE WILL NOT DECLARE BANKRUPTCY."

7. I DID NOT PURSUE THIS SUBJECT. WE AGREED TO MEET ON WEDNESDAY AT 1000 WHEN HE WILL GIVE ME A FULL READ-OUT THE ECON/FINANCIAL SITUATION AND I WILL, IF IT APPEARS APPROPRIATE, PRESS HIM FURTHER REGARDING IMF STANDBY.
ANDREW

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, DIPLOMATIC DISCUSSIONS, FOREIGN ASSISTANCE, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KINSHA05617
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750218-0006
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750625/aaaaawtj.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 02 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 SEP 2003 by CunninFX>; APPROVED <17 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VANCE MISSION: ZAIRE FINANCIAL SITUATION
TAGS: EFIN, EMIN, CG, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006